

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTHEASTERN)	
WATER ASSOCIATION, INC., PULASKI)	
COUNTY, KENTUCKY, (1) FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY)	
AUTHORIZING CONSTRUCTION OF MAJOR)	
ADDITIONS AND IMPROVEMENTS TO ITS)	CASE NO.
WATER DISTRIBUTION SYSTEM; (2) SEEKING)	2006-00371
APPROVAL OF REVISED WATER SERVICE)	
RATES AND CHARGES; AND (3) SEEKING)	
APPROVAL OF THE PROPOSED PLAN OF)	
FINANCING, PURSUANT TO THE PROVISIONS)	
OF KRS 278.023 AND 807 KAR 5:069)	

O R D E R

On August 3, 2006, Southeastern Water Association, Inc. ("Southeastern") submitted an application for a Certificate of Public Convenience and Necessity to construct facilities, a financing of the cost of the construction, and increased rates to reflect a \$3,947,000 waterworks improvement project. This project consists of the construction of a 100,000-gallon elevated water storage tank, the construction of two new booster pump stations, and the installation of approximately 25 miles of 8- to 3-inch water distribution lines. This project will provide new water service to approximately 151 additional customers.

Southeastern proposes to finance the construction of the project through a loan from the United States of America, acting by and through the U.S. Department of Agriculture, Rural Development ("RD") in the amount of \$2,754,000, a RD grant in the

amount of \$700,000, a Tobacco Development Fund Grant in the amount of \$413,000, and connection fees in the amount of \$80,000. The \$2,754,000 loan is for a 40-year period with an interest rate not to exceed 4.5 percent per annum. Southeastern's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements were met in this case on August 3, 2006, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Southeastern is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Southeastern's proposed plan of financing with RD is accepted.
3. Southeastern is authorized to borrow \$2,754,000 at an interest rate not exceeding 4.5 percent per annum for 40 years.
4. The proceeds from the bond issuance shall be used only for the purposes specified in Southeastern's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Southeastern may use such surplus to construct additional plant facility if RD approves of the use, and the additional construction will not result in a change in Southeastern's rates for service.

Southeastern shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Southeastern shall file a copy of the “as-built” drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certified herein.

7. Southeastern shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Southeastern shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

8. Southeastern shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

10. Within 30 days of the date of this Order, Southeastern shall file with the Commission its revised tariffs setting out the rates approved herein.

11. Three years from the effective date of this Order, Southeastern shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 29th day of August, 2006.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00371 DATED August 29, 2006

The following rates and charges are prescribed for the customers in the area served by Southeastern Water Association, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

First 2,000 gallons
Over 2,000 gallons

\$15.50 Minimum Bill
6.50 per 1,000 gallons